

VILLAGE OF BYRON
Shiawassee County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended February 28, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Byron	County Shiawassee
Audit Date February 28, 2006	Opinion Date March 28, 2006	Date Accountant Report Submitted to State: April 17, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell Kusterer & Co. P.C.			

VILLAGE OF BYRON
Shiawassee County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

March 28, 2006

To the Village Council
Village of Byron
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Village of Byron, Shiawassee County, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Byron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Byron, Shiawassee County, Michigan as of February 28, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF BYRON
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 28, 2006

The Management's Discussion and Analysis report of the Village of Byron covers the Village's financial performance during the year ended February 28, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 28, 2006, totaled \$474,633.69 for governmental activities and \$1,003,325.50 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$355,952.20 (\$248,488.53 from governmental activities and \$107,463.67 from business-type activities). Governmental activities had a \$32,302.69 increase in net assets. Business-type activities had an increase in net assets of \$28,869.04.

Taxable value increased by approximately \$391,541.00.

We entered into a water contract payable for \$850,000.00 and received \$371,980.00 of the proceeds.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

VILLAGE OF BYRON
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 28, 2006

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Cemetery Perpetual Care Fund, the Water Fund and the Sewer Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, the Local Street Fund, and the Cemetery Perpetual Care Fund.

Business Type Funds: The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had a decrease in fund balance of \$42,681.81. The Major Street Fund had an increase in fund balance of \$20,560.57. The Local Street Fund had an increase in fund balance of \$22,336.96. The Cemetery Perpetual Care Fund had an increase in fund balance of \$3,171.45.

The Water Fund had an increase in net assets of \$29,120.11 and the Sewer Fund had a decrease in net assets of \$251.07.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$42,814.00 in capital assets.
The Village's business-type activities invested \$232,453.71 in capital assets.
The Village's governmental activities increased principal on long-term debt by \$460.48.
The Village's business-type activities increased principal on long-term debt by \$371,980.00.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Clerk or Village Treasurer at 810-266-4386 or 810-266-4610.

VILLAGE OF BYRON
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 28, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	9 720 00	-	9 720 00
Investments	403 864 51	860 365 49	1 264 230 00
Accounts receivable	-	16 112 63	16 112 63
Total Current Assets	<u>413 584 51</u>	<u>876 478 12</u>	<u>1 290 062 63</u>
NON-CURRENT ASSETS:			
Capital Assets	201 391 00	1 264 543 50	1 465 934 50
Less: Accumulated Depreciation	<u>(130 307 00)</u>	<u>(765 716 12)</u>	<u>(896 023 12)</u>
Total Non-current Assets	<u>71 084 00</u>	<u>498 827 38</u>	<u>569 911 38</u>
TOTAL ASSETS	<u><u>484 668 51</u></u>	<u><u>1 375 305 50</u></u>	<u><u>1 859 974 01</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>532 02</u>	-	<u>532 02</u>
Total Current Liabilities	<u>532 02</u>	-	<u>532 02</u>
NON-CURRENT LIABILITIES:			
Accrued compensated absences	9 502 80	-	9 502 80
Contract payable	-	371 980 00	371 980 00
Total Non-current Liabilities	<u>9 502 80</u>	<u>371 980 00</u>	<u>381 482 80</u>
Total Liabilities	<u>10 034 82</u>	<u>371 980 00</u>	<u>382 014 82</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	71 084 00	266 373 67	337 457 67
Restricted	54 123 92	-	54 123 92
Unrestricted	<u>349 425 77</u>	<u>736 951 83</u>	<u>1 086 377 60</u>
Total Net Assets	<u>474 633 69</u>	<u>1 003 325 50</u>	<u>1 477 959 19</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>484 668 51</u></u>	<u><u>1 375 305 50</u></u>	<u><u>1 859 974 01</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended February 28, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	4 390 00	-	(4 390 00)
General government	61 365 98	24 431 88	(36 934 10)
Public safety	48 319 36	5 298 84	(43 020 52)
Public works	93 129 72	-	(93 129 72)
Other	8 980 78	-	(8 980 78)
Total Governmental Activities	<u>216 185 84</u>	<u>29 730 72</u>	<u>(186 455 12)</u>
Business-Type Activities:			
Water and sewer	<u>91 950 89</u>	<u>99 707 28</u>	<u>-</u>
Total Business-Type Activities	<u>91 950 89</u>	<u>99 707 28</u>	<u>-</u>
Total Government	<u><u>308 136 73</u></u>	<u><u>129 438 00</u></u>	<u><u>(186 455 12)</u></u>
General Revenues:			
Property taxes			91 885 58
State revenue sharing			113 122 22
Interest			12 396 00
Miscellaneous			<u>1 354 01</u>
Total General Revenues			<u>218 757 81</u>
Change in net assets			32 302 69
Net assets, beginning of year			<u>442 331 00</u>
Net Assets, End of Year			<u><u>474 633 69</u></u>

The accompanying notes are an integral part of these financial statements.

Business Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(4 390 00)
-	(36 934 10)
-	(43 020 52)
-	(93 129 72)
-	(8 980 78)
-	(186 455 12)
7 756 39	7 756 39
7 756 39	7 756 39
7 756 39	(178 698 73)
-	91 885 58
-	113 122 22
21 112 65	33 508 65
-	1 354 01
21 112 65	239 870 46
28 869 04	61 171 73
974 456 46	1 416 787 46
1 003 325 50	1 477 959 19

VILLAGE OF BYRON
Shiawassee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
<u>Assets</u>				
Cash in bank	9 720 00	-	-	-
Investments	<u>158 777 27</u>	<u>55 285 02</u>	<u>135 678 30</u>	<u>54 123 92</u>
Total Assets	<u>168 497 27</u>	<u>55 285 02</u>	<u>135 678 30</u>	<u>54 123 92</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>532 02</u>	-	-	-
Total liabilities	<u>532 02</u>	-	-	-
Fund equity:				
Fund balances:				
Restricted	-	-	-	54 123 92
Unrestricted:				
Undesignated	<u>167 965 25</u>	<u>55 285 02</u>	<u>135 678 30</u>	-
Total fund equity	<u>167 965 25</u>	<u>55 285 02</u>	<u>135 678 30</u>	<u>54 123 92</u>
Total Liabilities and Fund Equity	<u>168 497 27</u>	<u>55 285 02</u>	<u>135 678 30</u>	<u>54 123 92</u>

The accompanying notes are an integral part of these financial statements.

Total

9 720 00
403 864 51

413 584 51

532 02
532 02

54 123 92

358 928 57
413 052 49

413 584 51

VILLAGE OF BYRON
Shiawassee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
February 28, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	413 052 49
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	201 391 00
Accumulated depreciation	(130 307 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Accrued compensated absences	<u>(9 502 80)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>474 633 69</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended February 28, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
Revenues:				
Property taxes	72 876 67	-	19 008 91	-
Licenses and permits	4 915 29	-	-	-
State revenue sharing	63 751 68	37 293 94	12 076 60	-
Charges for services:				
Cemetery lots	4 260 00	-	-	1 601 38
Grave openings	5 406 40	-	-	-
Tax collection	1 053 81	-	-	-
Other	8 598 00	-	-	-
Fines and forfeits:				
Police fines	3 895 84	-	-	-
Interest	5 602 08	1 444 41	3 779 44	1 570 07
Rents	324 64	-	-	-
Miscellaneous	1 489 85	-	-	-
Total revenues	<u>172 174 26</u>	<u>38 738 35</u>	<u>34 864 95</u>	<u>3 171 45</u>
Expenditures:				
Legislative:				
Village Council	4 390 00	-	-	-
General government:				
Clerk	2 370 03	-	-	-
Treasurer	1 107 09	-	-	-
Village hall and grounds	45 653 11	-	-	-
Cemetery	11 871 75	-	-	-
Public safety:				
Police protection	46 532 36	-	-	-
Zoning	1 787 00	-	-	-
Public works:				
Department of Public Works	20 839 88	-	-	-
Highways and streets	-	18 177 78	12 527 99	-
Street lighting	8 073 64	-	-	-
Sanitation	20 436 43	-	-	-
Other:				
Employee fringe benefits	8 980 78	-	-	-
Capital outlay	42 814 00	-	-	-
Total expenditures	<u>214 856 07</u>	<u>18 177 78</u>	<u>12 527 99</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(42 681 81)	20 560 57	22 336 96	3 171 45
Fund balances, March 1	<u>210 647 06</u>	<u>34 724 45</u>	<u>113 341 34</u>	<u>50 952 47</u>
Fund Balances, February 28	<u><u>167 965 25</u></u>	<u><u>55 285 02</u></u>	<u><u>135 678 30</u></u>	<u><u>54 123 92</u></u>

The accompanying notes are an integral part of these financial statements.

Total

91 885 58
4 915 29
113 122 22

5 861 38
5 406 40
1 053 81
8 598 00

3 895 84
12 396 00
324 64
1 489 85

248 949 01

4 390 00

2 370 03
1 107 09
45 653 11
11 871 75

46 532 36
1 787 00

20 839 88
30 705 77
8 073 64
20 436 43

8 980 78
42 814 00

245 561 84

3 387 17

409 665 32

413 052 49

VILLAGE OF BYRON
Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended February 28, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 3 387 17

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(13 438 00)
Capital Outlay	42 814 00

Proceeds from debt principal is a revenue in the governmental funds, the
proceeds do not have an effect in the statement of activities but do
increase the debt balance in the statement of net assets.

Proceeds from increase in long-term debt	<u>(460 48)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>32 302 69</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
February 28, 2006

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Investments	644 311 85	216 053 64	860 365 49
Accounts receivable	<u>12 201 16</u>	<u>3 911 47</u>	<u>16 112 63</u>
Total Current Assets	<u>656 513 01</u>	<u>219 965 11</u>	<u>876 478 12</u>
NON-CURRENT ASSETS:			
Capital Assets	807 050 39	457 493 11	1 264 543 50
Less: Accumulated Depreciation	<u>(557 540 65)</u>	<u>(208 175 47)</u>	<u>(765 716 12)</u>
Total Non-current Assets	<u>249 509 74</u>	<u>249 317 64</u>	<u>498 827 38</u>
TOTAL ASSETS	<u><u>906 022 75</u></u>	<u><u>469 282 75</u></u>	<u><u>1 375 305 50</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES:			
Contract payable	<u>-</u>	<u>371 980 00</u>	<u>371 980 00</u>
Total Liabilities	<u>-</u>	<u>371 980 00</u>	<u>371 980 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	249 509 74	16 863 93	266 373 67
Unrestricted	<u>656 513 01</u>	<u>80 438 82</u>	<u>736 951 83</u>
Total Net Assets	<u>906 022 75</u>	<u>97 302 75</u>	<u>1 003 325 50</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>906 022 75</u></u>	<u><u>469 282 75</u></u>	<u><u>1 375 305 50</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
BUSINESS-TYPE FUNDS
Year ended February 28, 2006

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Service charges	71 928 70	22 670 58	94 599 28
Connection charges	1 215 50	2 212 50	3 428 00
Hydrant tax	-	1 680 00	1 680 00
Total Operating Revenues	<u>73 144 20</u>	<u>26 563 08</u>	<u>99 707 28</u>
OPERATING EXPENSES:			
Salaries and wages	24 167 56	10 691 10	34 858 66
Administration fees	3 000 00	1 000 00	4 000 00
Operating supplies	2 487 93	4 273 29	6 761 22
Professional services	2 830 00	2 659 46	5 489 46
Insurance	2 200 00	1 700 00	3 900 00
Utilities	1 926 68	2 266 67	4 193 35
Repairs and maintenance	4 691 40	-	4 691 40
Total Operating Expenses	<u>41 303 57</u>	<u>22 590 52</u>	<u>63 894 09</u>
Operating Income (loss) before depreciation	31 840 63	3 972 56	35 813 19
Less: depreciation	<u>(21 353 72)</u>	<u>(6 703 08)</u>	<u>(28 056 80)</u>
Operating income (loss)	<u>10 486 91</u>	<u>(2 730 52)</u>	<u>7 756 39</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	18 633 20	2 479 45	21 112 65
Total Non-operating Revenues (Expenses)	<u>18 633 20</u>	<u>2 479 45</u>	<u>21 112 65</u>
Change in net assets	29 120 11	(251 07)	28 869 04
Net assets, beginning of year	<u>876 902 64</u>	<u>97 553 82</u>	<u>974 456 46</u>
Net Assets, End of Year	<u>906 022 75</u>	<u>97 302 75</u>	<u>1 003 325 50</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended February 28, 2006

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	71 554 78	25 952 77	97 507 55
Cash payments to suppliers for goods and services	(17 136 01)	(11 899 42)	(29 035 43)
Cash payments to employees for services	<u>(24 167 56)</u>	<u>(10 691 10)</u>	<u>(34 858 66)</u>
Net cash provided (used) by operating activities	<u>30 251 21</u>	<u>3 362 25</u>	<u>33 613 46</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(232 453 71)	(232 453 71)
Proceeds from contract payable	<u>-</u>	<u>371 980 00</u>	<u>371 980 00</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>139 526 29</u>	<u>139 526 29</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	<u>18 633 20</u>	<u>2 479 45</u>	<u>21 112 65</u>
Net cash provided (used) by investing activities	<u>18 633 20</u>	<u>2 479 45</u>	<u>21 112 65</u>
Net increase (decrease) in cash	48 884 41	145 367 99	194 252 40
Cash beginning of year	<u>595 427 44</u>	<u>70 685 65</u>	<u>666 113 09</u>
Cash End of Year	<u><u>644 311 85</u></u>	<u><u>216 053 64</u></u>	<u><u>860 365 49</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	10 486 91	(2 730 52)	7 756 39
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	21 353 72	6 703 08	28 056 80
(Increase) decrease in receivables	<u>(1 589 42)</u>	<u>(610 31)</u>	<u>(2 199 73)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>30 251 21</u></u>	<u><u>3 362 25</u></u>	<u><u>33 613 46</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Byron, Shiawassee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Byron. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15. The Village 2005 tax roll millage rate was 10.8441 mills, and the taxable value was \$8,801,265.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

The liability for vacation and sick leave benefits attributable to the Village are recorded as an expenditure and liability in the respective funds. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>9 720 00</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	9 720 00
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>9 720 00</u>

The Village's investments are categorized below to give an indication of the level of risk assumed by the Village. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Village or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Village's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Village's name. The GASB Statement No. 3 risk disclosures for the Village's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-risk-Categorized: Financial Institution Pooled Funds				<u>1 266 510 55</u>
Total Investments				<u>1 266 510 55</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	Balance 3/1/05	Additions	Deletions	Balance 2/28/06
<u>Governmental Activities:</u>				
Buildings	5 800 00	18 224 00	-	24 024 00
Equipment	165 277 00	24 590 00	(12 500 00)	177 367 00
Total	171 077 00	42 814 00	(12 500 00)	201 391 00
Accumulated Depreciation	(129 369 00)	(13 438 00)	12 500 00	(130 307 00)
Net Governmental Capital Assets	<u>41 708 00</u>	<u>29 376 00</u>	<u>-</u>	<u>71 084 00</u>
<u>Business-Type Activities:</u>				
Water and Sewer Systems	1 032 089 79	232 453 71	-	1 264 543 50
Accumulated Depreciation	(737 659 32)	(28 056 80)	-	(765 716 12)
Net Business-Type Capital Assets	<u>294 430 47</u>	<u>204 396 91</u>	<u>-</u>	<u>498 827 38</u>

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Pension Plan

The Village does not have a pension plan.

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 3/1/05	Additions	Deductions	Balance 2/28/06
Contract payable – water	-	371 980 00		371 980 00
Accumulated unpaid benefits	9 042 32	460 48	-	9 502 80
Total	<u>9 042 32</u>	<u>372 440 48</u>	<u>-</u>	<u>381 482 80</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 8 – Contract Payable – Water

On September 22, 2005, the County of Shiawassee issued \$850,000.00 of its bonds to fund improvements to the water system of the Village of Byron. The Village has entered into a contract with the County whereby the Village has agreed to make payments to the County in amounts necessary to cover the principal and interest payments on the bonds as they come due. As of February 28, 2006, the Village has received \$371,980.00 of the bond proceeds and that amount is recorded as a liability in the Water Fund. The principal repayment schedule for the entire bond issue is as follows:

<u>Due Date</u>	<u>Principal Amount</u>
10-1-2007	35 000 00
10-1-2008	35 000 00
10-1-2009	35 000 00
10-1-2010	35 000 00
10-1-2011	40 000 00
10-1-2012	40 000 00
10-1-2013	40 000 00
10-1-2014	40 000 00
10-1-2015	40 000 00
10-1-2016	40 000 00
10-1-2017	45 000 00
10-1-2018	45 000 00
10-1-2019	45 000 00
10-1-2020	45 000 00
10-1-2021	45 000 00
10-1-2022	45 000 00
10-1-2023	50 000 00
10-1-2024	50 000 00
10-1-2025	50 000 00
10-1-2026	<u>50 000 00</u>
Total	<u>850 000 00</u>

Note 9 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of February 28, 2006, the Village had building permit revenues of \$1,403.00 and building permit expenses of \$1,787.00.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 28, 2006

Note 11 – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 28, 2006, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	73 144 20	26 563 08
Depreciation expense	21 353 72	6 703 08
Change in net assets	29 120 11	(251 07)
Net working capital	656 513 01	219 965 11
Net assets	906 022 75	97 302 75

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended February 28, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	72 000 00	72 735 00	72 876 67	141 67
Licenses and permits	4 831 00	5 231 00	4 915 29	(315 71)
State revenue sharing	64 870 00	62 369 00	63 751 68	1 382 68
Charges for services:				
Cemetery lots	3 300 00	3 300 00	4 260 00	960 00
Grave openings	5 000 00	5 000 00	5 406 40	406 40
Tax collection	1 400 00	1 052 00	1 053 81	1 81
Other	7 000 00	7 000 00	8 598 00	1 598 00
Fines and forfeits:				
Police fines	4 544 00	3 635 00	3 895 84	260 84
Interest	2 000 00	5 570 00	5 602 08	32 08
Rents	-	-	324 64	324 64
Miscellaneous	3 000 00	3 150 00	1 489 85	(1 660 15)
Total revenues	<u>167 945 00</u>	<u>169 042 00</u>	<u>172 174 26</u>	<u>3 132 26</u>
Expenditures:				
Legislative:				
Village Council	4 200 00	4 400 00	4 390 00	(10 00)
General government:				
Clerk	3 008 00	2 668 00	2 370 03	(297 97)
Treasurer	1 286 00	1 230 00	1 107 09	(122 91)
Building and grounds	87 991 00	47 802 00	45 653 11	(2 148 89)
Cemetery	8 300 00	15 375 00	11 871 75	(3 503 25)
Public safety:				
Police protection	42 250 00	47 933 00	46 532 36	(1 400 64)
Zoning	1 200 00	1 800 00	1 787 00	(13 00)
Public works:				
Department of Public Works	37 500 00	20 888 00	20 839 88	(48 12)
Street lighting	9 000 00	8 075 00	8 073 64	(1 36)
Sanitation	22 000 00	20 440 00	20 436 43	(3 57)
Other:				
Employee fringe benefits	9 500 00	9 050 00	8 980 78	(69 22)
Capital outlay	-	42 814 00	42 814 00	-
Total expenditures	<u>226 235 00</u>	<u>222 475 00</u>	<u>214 856 07</u>	<u>(7 618 93)</u>
Excess (deficiency) of revenues over expenditures	(58 290 00)	(53 433 00)	(42 681 81)	10 751 19
Fund balance, March 1	<u>58 290 00</u>	<u>53 433 00</u>	<u>210 647 06</u>	<u>157 214 06</u>
Fund Balance, February 28	<u>-</u>	<u>-</u>	<u>167 965 25</u>	<u>167 965 25</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended February 28, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	40 000 00	37 500 00	37 293 94	(206 06)
Interest	500 00	1 425 00	1 444 41	19 41
Total revenues	<u>40 500 00</u>	<u>38 925 00</u>	<u>38 738 35</u>	<u>(186 65)</u>
Expenditures:				
Public works:				
Highways and streets	<u>18 550 00</u>	<u>18 545 00</u>	<u>18 177 78</u>	<u>(367 22)</u>
Total expenditures	<u>18 550 00</u>	<u>18 545 00</u>	<u>18 177 78</u>	<u>(367 22)</u>
Excess of revenues over expenditures	21 950 00	20 380 00	20 560 57	180 57
Fund balance, March 1	-	-	34 724 45	34 724 45
Fund Balance, February 28	<u>21 950 00</u>	<u>20 380 00</u>	<u>55 285 02</u>	<u>34 905 02</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended February 28, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	19 000 00	19 000 00	19 008 91	8 91
State revenue sharing	13 000 00	12 200 00	12 076 60	(123 40)
Interest	1 300 00	3 750 00	3 779 44	29 44
Total revenues	<u>33 300 00</u>	<u>34 950 00</u>	<u>34 864 95</u>	<u>(85 05)</u>
Expenditures:				
Public works:				
Highways and streets	<u>14 400 00</u>	<u>12 550 00</u>	<u>12 527 99</u>	<u>(22 01)</u>
Total expenditures	<u>14 400 00</u>	<u>12 550 00</u>	<u>12 527 99</u>	<u>(22 01)</u>
Excess (deficiency) of revenues over expenditures	18 900 00	22 400 00	22 336 96	(63 04)
Fund balance, March 1	<u>-</u>	<u>-</u>	<u>113 341 34</u>	<u>113 341 34</u>
Fund Balance, February 28	<u>18 900 00</u>	<u>22 400 00</u>	<u>135 678 30</u>	<u>113 278 30</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – CEMETERY PERPETUAL CARE FUND
Year ended February 28, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Cemetery lots	1 500 00	1 500 00	1 601 38	101 38
Interest	300 00	300 00	1 570 07	1 270 07
Total revenues	1 800 00	1 800 00	3 171 45	1 371 45
Expenditures:				
General government:				
Cemetery	10 233 00	10 233 00	-	(10 233 00)
Total expenditures	10 233 00	10 233 00	-	(10 233 00)
Excess (deficiency) of revenues over expenditures	(8 433 00)	(8 433 00)	3 171 45	11 604 45
Fund balance, March 1	8 433 00	8 433 00	50 952 47	42 519 47
Fund Balance, February 28	-	-	54 123 92	54 123 92

VILLAGE OF BYRON
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended February 28, 2006

Village Council:	
Fees and per diem	<u>4 390 00</u>
Clerk:	
Salary	1 896 60
Office supplies	<u>473 43</u>
	<u>2 370 03</u>
Treasurer:	
Salary	825 60
Office supplies	<u>281 49</u>
	<u>1 107 09</u>
Village hall and grounds:	
Wages	21 356 17
Hospitalization	19 875 59
Utilities	3 421 35
Contracted services	<u>1 000 00</u>
	<u>45 653 11</u>
Cemetery:	
Salaries and wages	10 035 96
Operating supplies	1 061 82
Insurance	500 00
Miscellaneous	<u>273 97</u>
	<u>11 871 75</u>
Police protection:	
Salaries and wages	24 164 45
Operating supplies	6 026 64
Professional services	3 163 50
Telephone	857 53
Gas and oil	3 627 22
Insurance	3 673 00
Repairs and maintenance	<u>5 020 02</u>
	<u>46 532 36</u>
Zoning:	
Contracted services	<u>1 787 00</u>
Department of Public Works:	
Wages	1 379 82
Operating supplies	1 417 27
Gas and oil	4 092 58
Telephone	692 64
Insurance	5 461 00
Repairs and maintenance	7 230 07
Printing and publishing	30 50
Miscellaneous	<u>536 00</u>
	<u>20 839 88</u>
Street lighting:	
Utilities	<u>8 073 64</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended February 28, 2006

Sanitation:	
Contracted services	<u>20 436 43</u>
Employee fringe benefits:	
Unemployment	747 87
Social security	<u>8 232 91</u>
	<u>8 980 78</u>
Capital outlay	<u>42 814 00</u>
Total Expenditures	<u><u>214 856 07</u></u>

VILLAGE OF BYRON
Shiawassee County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
February 28, 2006

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>			
Investments	<u>55 285 02</u>	<u>135 678 30</u>	<u>190 963 32</u>
Total Assets	<u>55 285 02</u>	<u>135 678 30</u>	<u>190 963 32</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>55 285 02</u>	<u>135 678 30</u>	<u>190 963 32</u>
Total Liabilities and Fund Balances	<u>55 285 02</u>	<u>135 678 30</u>	<u>190 963 32</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended February 28, 2006

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:			
Property taxes	-	19 008 91	19 008 91
State revenue sharing	37 293 94	12 076 60	49 370 54
Interest	<u>1 444 41</u>	<u>3 779 44</u>	<u>5 223 85</u>
Total revenues	<u>38 738 35</u>	<u>34 864 95</u>	<u>73 603 30</u>
Expenditures – Public Works:			
Highways and streets:			
Routine maintenance:			
Salaries and wages	6 000 16	4 454 29	10 454 45
Operating supplies	919 24	309 02	1 228 26
Traffic signs	138 70	-	138 70
Repairs and maintenance	4 419 33	3 337 42	7 756 75
Snow removal	2 950 35	1 677 26	4 627 61
Professional services	2 550 00	1 550 00	4 100 00
Insurance	<u>1 200 00</u>	<u>1 200 00</u>	<u>2 400 00</u>
Total expenditures	<u>18 177 78</u>	<u>12 527 99</u>	<u>30 705 77</u>
Excess of revenues over expenditures	20 560 57	22 336 96	42 897 53
Fund balances, March 1	<u>34 724 45</u>	<u>113 341 34</u>	<u>148 065 79</u>
Fund Balances, February 28	<u><u>55 285 02</u></u>	<u><u>135 678 30</u></u>	<u><u>190 963 32</u></u>

VILLAGE OF BYRON
Shiawassee County, Michigan
BALANCE SHEET – PERMANENT FUND
February 28, 2006

	Cemetery Perpetual Care
<u>Assets</u>	
Investments	54 123 92
Total Assets	<u>54 123 92</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	-
Fund balances:	
Reserved	54 123 92
Total Liabilities and Fund Balances	<u>54 123 92</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended February 28, 2006

	<u>Cemetery Perpetual Care</u>
Revenues:	
Charges for services	1 601 38
Interest	<u>1 570 07</u>
Total revenues	<u>3 171 45</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	3 171 45
Fund balance, March 1	<u>50 952 47</u>
Fund Balance, February 28	<u><u>54 123 92</u></u>

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

March 28, 2006

To the Village Council
Village of Byron
Shiawassee County, Michigan

We have audited the financial statements of the Village of Byron for the year ended February 28, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Byron in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Byron
Shiawassee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 28, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants